

**FARMINGDALE BOARD OF EDUCATION**

**AUDITOR'S MANAGEMENT REPORT**

**COUNTY OF MONMOUTH**

**JUNE 30, 2023**

**Robert A. Hulsart & Company  
Certified Public Accountants  
2807 Hurley Pond Road, Suite 100  
Wall, New Jersey 07719**

# AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

## FINANCIAL, COMPLIANCE AND PERFORMANCE

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# Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

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## REPORT OF INDEPENDENT AUDITORS

Honorable President and Members  
of the Board of Education  
Farmingdale School District  
County of Monmouth  
Farmingdale, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards, issued by the comptroller General of the United States, the general-purpose financial statements of the Board of Education of the Farmingdale School District in the County of Monmouth, for the year ended June 30, 2023, and have issued our report thereon dated January 15, 2024.

As part of our audit, we performed procedures required by the New Jersey Department of Education and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Farmingdale Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Licensed Public School Accountant  
No. 322

**ROBERT A. HULSART AND COMPANY**

January 15, 2024

## **ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

### **Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

### **Administrative Practices and Procedures**

#### **Insurance**

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20; Insurance Schedule contained in the district's ACFR.

#### **Officials Bond**

| <b><u>Name</u></b> | <b><u>Position</u></b>                 | <b><u>Amount</u></b> |
|--------------------|--|----------------------|
| Christina Moskal   | Business Administrator (to 4/30/2023)  | \$ 164,150           |
| Ronald Sanasac     | Business Administrator (from 5/1/2023) | 164,150              |
| Amy Lerner         | Treasurer                              | 164,150              |

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees.

#### **Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the necessary adjustments in regards to these changes.

### **Financial Planning, Accounting and Reporting**

#### **Examination of Claims**

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Finding 2023-01: Records of purchases and purchase orders were processed under numerous different protocols or without any systematic set of internal controls in place. Confirming orders rather than approved purchase orders were utilized in many instances leading to incorrectly ordered products.

Recommendation 2023-1: That the accounting and purchasing controls and systems be formalized and documented to establish proper purchasing procedures.

### **Payroll Account**

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Finding 2023-02: Payroll – five months of tax shelter payments were paid late resulting in possible investment earnings being lost by employees.

Recommendations 2023-2: Procedures be put in place to ensure timely reporting and payment of tax shelter payments.

Finding 2023-03: Health benefit waivers were not maintained for eligible employees, making it difficult to verify if in fact they were eligible.

Recommendation 2023-3: That all employees who are eligible for health benefit waivers provide proper documentation to verify eligibility.

### **Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

### **Board Secretary's Records**

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following reportable conditions:

Finding 2023-04: Receipts were mis-posted in many instances. A number of budget account line items were overspent and, in several instances, the proper budget expenditure line item was improper for the charges expended. The Board Secretary's Reports were not accurate at June 30, 2023. This occurred in the General Fund, Special Revenue Fund, and the Debt Service Fund.

Recommendation 2023-4: That all receipts be carefully reviewed and properly identified and posted to the correct accounts. The appropriations report should be reviewed on a monthly basis to ensure that no over expenditures are present. The Board Secretary's Report should be reviewed every month and be in agreement with the subsidiary reports (revenue and expenditure reports).

Finding 2023-5: Adjustments to bring the cash balances into proof with the subsidiary financial reports of the Special Revenue Fund were required. Reimbursements were not requested until late in the fiscal year, possibly creating cash flow issues.

Recommendation 2023-5: That a process be put in place to ensure reimbursements are submitted in a timely manner.

### **Treasurer's Records**

The Treasurer's records were in agreement with the records of the Board Secretary.

### **Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)**

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the projects under Title IIA and Title IV of the Elementary and Secondary Education Act as amended and reauthorized.

### **Other Special Federal and/or State Projects**

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the ACFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the aforementioned special projects. The study of compliance for special projects indicated no areas of noncompliance.

### **T.P.A.F. Reimbursement**

Our audit procedures included a test of the semi monthly reimbursement forms filed with Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

### **School Purchasing Programs**

### **Contracts and Agreements Requiring Advertisement for Bids**

Effective July 1, 2020 N.J.S. 18A:18A-3 was amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$29,000.00 the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971, c.198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$44,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. N.J.S. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

## **School Purchasing Programs (Continued)**

### **Contracts and Agreements Requiring Advertisement for Bids**

N.J.S. 18A:18A-4 is amended to read as follows:

- a. Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$20,200 for 2022-2023.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

### **Student Body Activities**

Our review of the student activity funds found no exceptions.

### **Enterprise Fund**

Our review of the Enterprise Fund disclosed the following:

Finding 2023-6: Food Service reimbursements were not submitted in a timely manner resulting in a loss of funding to the District.

Recommendation 2023-6: a process be put in place to ensure that all reimbursement requests are prepared and submitted within the proper timeframe to avoid loss of funding.

### **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2022 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

### **Pupil Transportation**

Our procedures included a review of transportation related contracts. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related contracted services.

### **Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification. The results of our procedures are summarized in the Summary of Expenditure Coding Testing.

### **Follow-up on Prior Years' Findings**

Corrective action was taken on the prior year audit finding regarding capital assets.

### **Acknowledgment**

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit staff.



**2% Calculation of Excess Surplus**

|   |                     |
|---|---------------------|
| 2022-23 Total General Fund Expenditures Per the ACFR      | \$ 3,792,098        |
| Decreased by:   |                     |
| On-Behalf TPAF Pension & Social Security                  | <u>(839,188)</u>    |
| Adjusted 2022-23 General Fund Expenditures                | <u>\$ 2,952,910</u> |
| 2% of Adjusted 2022-23 General Fund Expenditures          | <u>\$ 59,058</u>    |
| Enter Greater of Above or \$250,000                       | \$ 250,000          |
| Increased by Allowable Adjustments                        | <u>3,744</u>        |
| Maximum Unassigned/Undesignated – Unreserved Fund Balance | <u>\$ 253,744</u>   |

**Section 2**

|  |                   |
|--|-------------------|
| Total General Fund – Fund Balance @ 6-30-23                    | \$ 982,475        |
| Decreased by:  |                   |
| Designated for Subsequent Year’s Expenditures – BOE            | (52,322)          |
| Designated for Subsequent Year’s Expenditures – Excess Surplus | (412,038)         |
| Year End Encumbrances  | (186)             |
| Reserves   | <u>(217,235)</u>  |
| Total Unassigned Fund Balance                                  | <u>\$ 300,694</u> |

**Section 3**

|   |                   |
|---|-------------------|
| Designated for Subsequent Years Expenditures – Excess Surplus | \$ 412,038        |
| Excess Surplus Current Year                                   | <u>46,950</u>     |
|   | <u>\$ 458,988</u> |

**Detail of Allowable Adjustment**

|                           |                 |
|---------------------------|-----------------|
| Non-Public Transportation | <u>\$ 3,744</u> |
|---------------------------|-----------------|

**Detail of Other Restricted Fund Balance**

|                                     |                   |
|-------------------------------------|-------------------|
| Maintenance Reserve                 | \$ 155,041        |
| Capital Reserve                     | <u>62,194</u>     |
| Total Other Restricted Fund Balance | <u>\$ 217,235</u> |

**FARMINGDALE SCHOOL DISTRICT**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2022**

Sheet 1 of 2

|                             | 2023-2024 Application for State School Aid |                    |        |        | Sample for Verification |        |                   |        | Private Schools for Disabled |                 |                         |                 |               |
|-----------------------------|--|--------------------|--------|--------|-------------------------|--------|-------------------|--------|------------------------------|-----------------|-------------------------|-----------------|---------------|
|                             | Reported On                                |                    | Errors |        | Sample Selected         |        | Registers on Roll |        | Errors Per Registers on Roll | Reported On     | Sample for Verification | Sample Verified | Sample Errors |
|                             | A.S.S.A. on Roll                           | Workpapers on Roll | 0      | Shared | Full                    | Shared | Full              | Shared |                              |                 |                         |                 |               |
| Full                        | Shared                                     | Full               | Shared | Full   | Shared                  | Full   | Shared            | Full   | Shared                       | Private Schools | A.S.S.A. as             | Sample Verified | Sample Errors |
| Full Day Kindergarten       | 20   | 20                 | 0      | 0      | 20                      | 20     | 20                | 20     | 0                            | 0               | 0                       | 0               | 0             |
| One                         | 13   | 13                 | 0      | 0      | 13                      | 13     | 13                | 13     | 0                            | 0               | 0                       | 0               | 0             |
| Two                         | 15   | 15                 | 0      | 0      | 15                      | 15     | 15                | 15     | 0                            | 0               | 0                       | 0               | 0             |
| Three                       | 14   | 14                 | 0      | 0      | 14                      | 14     | 14                | 14     | 0                            | 0               | 0                       | 0               | 0             |
| Four                        | 14   | 14                 | 0      | 0      | 14                      | 14     | 14                | 14     | 0                            | 0               | 0                       | 0               | 0             |
| Five                        | 10   | 10                 | 0      | 0      | 10                      | 10     | 10                | 10     | 0                            | 0               | 0                       | 0               | 0             |
| Six                         | 15   | 15                 | 0      | 0      | 15                      | 15     | 15                | 15     | 0                            | 0               | 0                       | 0               | 0             |
| Seven                       | 9  | 9                  | 0      | 0      | 9                       | 9      | 9                 | 9      | 0                            | 0               | 0                       | 0               | 0             |
| Eight                       | 11   | 11                 | 0      | 0      | 11                      | 11     | 11                | 11     | 0                            | 0               | 0                       | 0               | 0             |
| Subtotal                    | 121  | 121                | 0      | 0      | 121                     | 121    | 121               | 121    | 0                            | 0               | 0                       | 0               | 0             |
| Special Ed. - Elementary    |  |                    |        |        |                         |        |                   |        |                              |                 |                         |                 |               |
| Special Ed. - Middle School |  |                    |        |        |                         |        |                   |        |                              |                 |                         |                 |               |
| Special Ed. - High School   |  |                    |        |        |                         |        |                   |        |                              |                 |                         |                 |               |
| Subtotal                    | 0  | 0                  | 0      | 0      | 0                       | 0      | 0                 | 0      | 0                            | 0               | 0                       | 0               | 0             |
| Totals                      | 121  | 121                | 0      | 0      | 121                     | 121    | 121               | 121    | 0                            | 0               | 0                       | 0               | 0             |
| Percentage Error            |  |                    | 0%     | 0%     |                         |        | 0%                | 0%     |                              |                 |                         | 0%              | 0%            |

FARMINGDALE SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2022

|                          | Low Income                         |                                      | Sample for Verification         |                                      |
|--------------------------|------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|
|                          | Reported on A.S.S.A. as Low Income | Reported on Workpapers as Low Income | Sample Selected from Workpapers | Verified to Application and Register |
| Full Day Kindergarten    |                                    |                                      |                                 |                                      |
| One                      |                                    |                                      |                                 |                                      |
| Two                      |                                    |                                      |                                 |                                      |
| Three                    |                                    |                                      |                                 |                                      |
| Four                     |                                    |                                      |                                 |                                      |
| Five                     |                                    |                                      |                                 |                                      |
| Six                      |                                    |                                      |                                 |                                      |
| Subtotal                 | 0                                  | 0                                    | 0                               | 0                                    |
| Special Ed. - Elementary | 5                                  | 5                                    | 5                               | 5                                    |
| Special Ed. - Middle     | 3                                  | 3                                    | 3                               | 3                                    |
| Subtotal                 | 8                                  | 8                                    | 8                               | 8                                    |
| Totals                   | 8                                  | 8                                    | 8                               | 8                                    |
| Percentage Error         |                                    | 0%                                   |                                 | 0%                                   |

LEP STUDENTS-LOW INCOME

|                          | Reported on ASSA as LEP Low Income |  | Reported on Workpapers as LEP Low Income |                                     | Sample for Verification         |               |
|--------------------------|------------------------------------|--|--|-------------------------------------|---------------------------------|---------------|
|                          | Reported on LEP Low Income         | Reported on Workpapers as LEP Low Income | Sample Selected from Workpapers          | Verified to Test Score and Register | Sample Selected from Workpapers | Sample Errors |
| Full Day K               |                                    |  |  |                                     |                                 |               |
| One                      |                                    |  |  |                                     |                                 |               |
| Two                      |                                    |  |  |                                     |                                 |               |
| Middle School            | 1                                  | 1  | 1  | 1                                   | 1                               | 1             |
| Special Ed. - Elementary |                                    |  |  |                                     |                                 |               |
| Total                    | 1                                  | 1  | 1  | 1                                   | 1                               | 0             |
| Percentage Error         |                                    | 0%                                       |  | 0%                                  |                                 | 0%            |

LEP STUDENTS-NOT LOW INCOME

|                  | Reported on ASSA as LEP Low Income |  | Reported on Workpapers as LEP Low Income |                                     | Sample for Verification         |               |
|------------------|------------------------------------|--|--|-------------------------------------|---------------------------------|---------------|
|                  | Reported on LEP Low Income         | Reported on Workpapers as LEP Low Income | Sample Selected from Workpapers          | Verified to Test Score and Register | Sample Selected from Workpapers | Sample Errors |
| Full Day K       |                                    |  |  |                                     |                                 |               |
| One              |                                    |  |  |                                     |                                 |               |
| Four             |                                    |  |  |                                     |                                 |               |
| Percentage Error |                                    | 0%                                       |  | 0%                                  |                                 | 0%            |

TRANSPORTATION

|                          | Reported on DRTRS by DOE |                      | Reported on DRTRS by District |          | Sample |        |
|--------------------------|--------------------------|----------------------|-------------------------------|----------|--------|--------|
|                          | Reported on DOE          | Reported on District | Tested                        | Verified | Errors | Errors |
| Reg. - Public Schools    |                          |                      |                               |          |        |        |
| Transported - Non-Public |                          |                      |                               |          |        |        |
| Special Needs - Public   | 1                        | 1                    | 1                             | 1        | 1      | 1      |
| Totals                   | 1                        | 1                    | 1                             | 1        | 1      | 0      |
| Percentage Error         |                          | 0%                   |                               | 0%       |        | 0%     |

Avg. Mileage - Regular Including Grade PK Students  
 Avg. Mileage - Regular Excluding Grade PK Students  
 Avg. Mileage - Special Ed. With Special Needs

Reported 8.3  
 Recalculated 8.3

**FARMINGDALE SCHOOL DISTRICT**  
**AUDIT RECOMMENDATIONS SUMMARY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Recommendations:

1. Administrative Practices and Procedures

That the accounting and purchasing controls and systems be formalized and documented to establish proper purchasing procedures.

2. Financial Planning, Accounting and Reporting

That all receipts be carefully reviewed and properly identified and posted to the correct accounts. The appropriations report should be reviewed on a monthly basis to ensure that no over expenditures are present. The Board Secretary's Report should be reviewed every month and be in agreement with the subsidiary reports (revenue and expenditure reports).

That a process be put in place to ensure reimbursements are submitted in a timely manner.

3. School Purchasing Programs

None

4. School Food Service

A process be put in place to ensure that all reimbursement requests are prepared and submitted within the proper timeframe to avoid loss of funding.

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

Procedures be put in place to ensure timely reporting and payment of tax shelter payments.

That all employees who are eligible for health benefit waivers provide proper documentation to verify eligibility.

10. Status of Prior Year Audit Findings/Recommendations

The prior year finding regarding a detail listing of capital assets and associated depreciation was corrected during the 2022-2023 fiscal year.